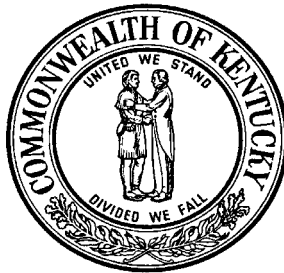


**REPORT OF THE AUDIT OF THE
GRANT COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GRANT COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Grant County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$30,566 from the beginning of the year, resulting in a cash surplus of \$5,178,908 as of June 30, 2003.

Debt Obligations:

Total bonded debt principal as of June 30, 2003, was \$7,880,000. Future collections of \$11,527,334 are needed over the next twenty-one years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$2,707,000 as of June 30, 2003. Future principal and interest payments of \$4,197,467 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Darrell Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Grant County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - all governmental fund types; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type; and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Grant County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Grant County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Grant County, Kentucky, as of June 30, 2003, and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Darrell Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 12, 2004, on our consideration of Grant County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Grant County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 12, 2004

GRANT COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Darrell L. Link	County Judge/Executive
Patricia Conrad	Magistrate
Kenneth Messer	Magistrate
Richard Austin	Magistrate

Other Elected Officials:

Edward Lorenz	County Attorney
Steve Kellum	Jailer
Judith Fortner	County Clerk
Shirley Wilson	Circuit Court Clerk
Randall Middleton	Sheriff
Angela McLafferty	Property Valuation
Marylee Willoby	Coroner

Appointed Personnel:

Roger L. Wagoner	County Treasurer
Evalene Davis	Deputy County Judge/Executive
Connie McClure	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

GRANT COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	<u>Governmental Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 4,154,512	\$ 985,205	\$ 119,401
Total Assets	\$ 4,154,512	\$ 985,205	\$ 119,401
<u>Other Resources</u>			
Amounts to Be Provided in Future Years for:	\$	\$	\$
Capital Leases	2,707,000		2,707,000
Bond Payments		6,894,795	6,894,795
Total Other Resources	\$ 2,707,000	\$ 6,894,795	\$ 0
Total Assets and Other Resources	<u>\$ 6,861,512</u>	<u>\$ 7,880,000</u>	<u>\$ 119,401</u>
	<u>14,860,913</u>		

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

	<u>Governmental Fund Type</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Leases	\$ 2,707,000	\$	\$	\$ 2,707,000
Bonds:				
Series 1995		640,000		640,000
Series 1998		7,240,000		7,240,000
Total Liabilities	<u>\$ 2,707,000</u>	<u>\$ 7,880,000</u>	<u>\$ 0</u>	<u>\$ 10,587,000</u>
<u>Equity</u>				
Retained Earnings:				
Restricted	\$	\$	\$ 119,401	\$ 119,401
Fund Balances:				
Reserved	80,210			80,210
Unreserved	4,074,302			4,074,302
Total Equity	<u>\$ 4,154,512</u>	<u>\$ 0</u>	<u>\$ 119,401</u>	<u>\$ 4,273,913</u>
Total Liabilities and Equity	<u>\$ 6,861,512</u>	<u>\$ 7,880,000</u>	<u>\$ 119,401</u>	<u>\$ 14,860,913</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

GRANT COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

For The Fiscal Year Ended June 30, 2003

	<u>General Fund Type</u>		
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 4,614,113	\$ 886,063	\$ 2,556,297
Other Financing Sources:			
Transfers In		175,000	
Kentucky Advance Revenue Program	<u>1,694,300</u>		
Total Cash Receipts	<u>\$ 6,308,413</u>	<u>\$ 1,061,063</u>	<u>\$ 2,556,297</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,948,317	\$ 1,132,870	\$ 2,336,970
Other Financing Uses:			
Schedule of Public Properties Corporation Expenditures			
Transfers Out	175,000		583,365
Bonds:			
Principal Paid			
Interest Paid			
Capital Leases - Principal:			
Corinth Water District	37,000		
Bullock Pen - Phase III	47,000		
Health Department	25,000		
Bullock Pen - Phase IV	13,000		
Kentucky Advance Revenue Program Repaid	<u>1,694,300</u>		
Total Cash Disbursements	<u>\$ 5,939,617</u>	<u>\$ 1,132,870</u>	<u>\$ 2,920,335</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 368,796	\$ (71,807)	\$ (364,038)
Cash Balance - July 1, 2002	<u>3,636,238</u>	<u>90,016</u>	<u>388,421</u>
Cash Balance - June 30, 2003	<u>\$ 4,005,034</u>	<u>\$ 18,209</u>	<u>\$ 24,383</u>

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For The Fiscal Year Ended June 30, 2003
(Continued)

General Fund Type		Debt Service Fund Type	
Local Government Economic Assistance Fund	Forestry Fund	Public Properties Corporation Fund	Totals (Memorandum Only)
\$ 27,638	\$ 1,566	\$ 29,602	\$ 8,115,279
		583,365	758,365
			1,694,300
\$ 27,638	\$ 1,566	\$ 612,967	\$ 10,567,944
\$ 17,776	\$ 1,350	\$	\$ 7,437,283
		1,795	1,795
			758,365
		225,000	225,000
		377,689	377,689
			37,000
			47,000
			25,000
			13,000
			1,694,300
\$ 17,776	\$ 1,350	\$ 604,484	\$ 10,616,432
\$ 9,862	\$ 216	\$ 8,483	\$ (48,488)
15,600	998	976,722	5,107,995
\$ 25,462	\$ 1,214	\$ 985,205	\$ 5,059,507

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

GRANT COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
<u>Cash Receipts</u>	<u>Jail Canteen Fund</u>
Receipts - Jail Canteen	\$ 681,395
Total Cash Receipts	\$ 681,395
 <u>Cash Disbursements</u>	
Expenditures - Jail Canteen	\$ 663,473
Total Cash Disbursements	\$ 663,473
Excess of Cash Receipts Over Cash Disbursements	\$ 17,922
Cash Balance - July 1, 2002	101,479
Cash Balance - June 30, 2003	\$ 119,401

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

GRANT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 232,133
Interest Received on Bank Accounts	900
State Payments	31,362
Reimbursements	9,289
Other Receipts	19,876
Payments to Suppliers	(194,843)
Entertainment	(12,464)
Sales Tax	(4,033)
Other Payments (Includes Inmate Fees)	<u>(188,407)</u>
Net Cash Used By Operating Activities	<u>\$ (106,187)</u>
Cash Flows From Noncapital Financing Activities:	
Cash Received on Inmate Accounts	\$ 525,854
Inmate Refunds	(182,784)
Inmate Account Transfers	<u>(193,811)</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$ 149,259</u>
Cash Flows From Capital And Related Financing Activities:	
Acquisition and Construction of Capital Assets	<u>\$ (25,150)</u>
Net Cash Used by Capital and Related Financing Activities	<u>\$ (25,150)</u>
Net Increase in Cash	\$ 17,922
Cash and Cash Equivalents - Beginning	101,479
Cash and Cash Equivalents - Ending	<u><u>\$ 119,401</u></u>
Reconciliation of Operating Income to Net Cash	
Used by Operating Activities:	
Operating Income	\$ 17,922
Net Changes in Assets and Liabilities:	
Assets	<u>(124,109)</u>
Net Cash Used by Operating Activities	<u><u>\$ (106,187)</u></u>

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Grant County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Grant County Public Properties Corporation as part of the reporting entity.

Additional - Grant County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Grant County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Grant County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Grant County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and the Forestry Fund.

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Grant County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Grant County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

A formal budget is not adopted for the Public Properties Corporation Fund and the Jail Canteen Fund because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Long-Term Debt

Bonds outstanding of the Grant County Public Properties Corporation Fund are:

- A. The Grant County Public Properties Corporation issued \$910,000, First Mortgage Revenue Bonds dated August 1995, for the construction of a jail. Principal payments are due each year on July 1. Interest on the bonds is payable each July 1 and January 1, and began on January 1, 1996. The Public Properties Corporation holds a \$91,000 certificate of deposit at Eagle Bank. The semi-annual interest earned on the certificate of deposit is applied toward the debt service amount due. The principal balance outstanding for the bond issue as of fiscal year ended June 30, 2003 was \$640,000. Future debt service requirements are:

Fiscal Year Ending June 30	Scheduled Interest	Scheduled Principal
2004	\$ 38,325	\$ 40,000
2005	36,185	40,000
2006	33,868	45,000
2007	31,370	45,000
2008	28,685	50,000
2009-2013	94,280	300,000
2014	4,800	160,000
Totals	\$ 267,513	\$ 680,000
Less: Payments		
Due July 2003		
Paid June 2003	38,325	40,000
Totals Outstanding June 30, 2003	\$ 229,188	\$ 640,000

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Long-Term Debt (Continued)

- B. The Grant County Public Properties Corporation issued \$7,775,000, First Mortgage Revenue Bonds dated August 1998, for the construction of a jail addition. Principal payments are due each year on July 1, in the amounts indicated below starting July 1, 2000. Interest on the bonds is payable each July 1 and January 1, beginning January 1, 1999. The principal balance outstanding for this bond issue as of fiscal year ended June 30, 2003, was \$7,240,000. Future debt service requirements are:

Fiscal Year Ending June 30	Scheduled Interest	Scheduled Principal
2004	\$ 334,994	\$ 195,000
2005	325,909	200,000
2006	316,479	210,000
2007	306,589	220,000
2008	296,210	230,000
2009-2013	1,306,802	1,325,000
2014-2018	958,171	1,680,000
2019-2023	508,915	2,155,000
2023-2025	49,282	1,025,000
Totals Outstanding June 30, 2003	\$ 4,403,351	\$ 7,240,000

Total bond principal outstanding for the Public Properties Corporation Fund, shown in the debt service schedules above, as of June 30, 2003, was \$ 7,880,000.

Note 5. Lease-Purchase Agreements

The county has entered into the following capital lease-purchase agreements:

- A. Grant County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the construction of rural waterlines by the Corinth Water District. A total of \$1,245,000 was awarded to Grant County on March 31, 1994. The agreement calls for Grant County to make variable annual payments for twenty-five years beginning January 1995, and ending January 2019, with the option to renew the lease each year. Interest is paid monthly at an effective rate of 5.37 percent. The outstanding principal balance as of June 30, 2003, was \$971,000. Future principal and interest requirements are:

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Lease-Purchase Agreements (Continued)

A. (Continued)

Fiscal Year Ending June 30	Scheduled Interest	Scheduled Principal
2004	\$ 61,040	\$ 39,000
2005	58,466	42,000
2006	55,728	44,000
2007	52,862	46,000
2008	49,841	49,000
2009-2013	197,551	288,000
2014-2018	92,623	375,000
2019	3,282	88,000
Totals Outstanding June 30, 2003	<u>\$ 571,393</u>	<u>\$ 971,000</u>

- B. Grant County entered into a lease agreement with KACoLT for the construction of waterlines for the Bullock Pen – Phase III Water Expansion Project. A total of \$1,500,000 was awarded to Grant County during fiscal year ended June 30, 1996. The agreement calls for Grant County to make annual payments beginning September 1995, and ending February 2019. Interest is paid monthly at an effective rate of 5.45 percent. The outstanding principal balance as of June 30, 2003, was \$1,218,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Scheduled Interest	Scheduled Principal
2004	\$ 77,503	\$ 50,000
2005	74,212	52,000
2006	70,765	55,000
2007	67,123	58,000
2008	63,287	61,000
2009-2013	250,898	361,000
2014-2018	117,770	470,000
2019	4,192	111,000
Totals Outstanding June 30, 2003	<u>\$ 725,750</u>	<u>\$ 1,218,000</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Lease-Purchase Agreements (Continued)

- C. Grant County entered into a lease agreement with KACoLT for the expansion of Health Department facilities. A total of \$400,000 was awarded to Grant County. The agreement calls for Grant County to make variable annual payments for fifteen years beginning June 1996, and ending February 2011. Interest is paid monthly at an effective rate of 5.35 percent. The outstanding principal balance as of June 30, 2003, was \$251,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Scheduled Interest	Scheduled Principal
2004	\$ 15,308	\$ 26,000
2005	13,624	27,000
2006	11,850	29,000
2007	9,975	30,000
2008	8,010	32,000
2009-2011	11,054	107,000
Totals Outstanding June 30, 2003	<u>\$ 69,821</u>	<u>\$ 251,000</u>

- D. Grant County entered into a lease agreement with KACoLT for the construction of waterlines for the Bullock Pen Water Expansion Project - Phase IV. A total of \$336,000 was awarded to Grant County. The agreement calls for Grant County to make annual payments beginning October 1996, and ending February 2016. Interest is paid monthly at an effective rate of 5.13 percent. The outstanding principal balance as of June 30, 2003, was \$267,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Scheduled Interest	Scheduled Principal
2004	\$ 15,993	\$ 14,000
2005	15,111	15,000
2006	14,167	16,000
2007	13,187	16,000
2008	12,181	17,000
2009-2013	43,571	102,000
2014-16	9,293	87,000
Totals Outstanding June 30, 2003	<u>\$ 123,503</u>	<u>\$ 267,000</u>

The total principal outstanding as of June 30, 2003, for the four capital leases listed above is \$2,707,000.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Lease-Purchase Agreements (Continued)

D. (Continued)

The capital leases listed above were subsequently sub-leased to each applicable district. The districts make monthly payments to the county for the debt service requirements in accordance with the sub-lease agreements.

Note 6. Insurance

For the fiscal year ended June 30, 2003, Grant County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

GRANT COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 3,131,031	\$ 4,614,113	\$ 1,483,082
Road and Bridge Fund	1,296,577	886,063	(410,514)
Jail Fund	2,794,700	2,556,297	(238,403)
Local Government Economic Assistance Fund	17,776	27,638	9,862
Forestry Fund	1,470	1,566	96
Totals	<u>\$ 7,241,554</u>	<u>\$ 8,085,677</u>	<u>\$ 844,123</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 7,241,554
Add: Budgeted Prior Year Surplus	1,581,703
Less: Other Financing Uses	<u>(705,365)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 8,117,892</u>

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SCHEDULE OF OPERATING REVENUE

GRANT COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>GOVERNMENTAL FUND TYPE</u>			
<u>Revenue Categories</u>	<u>General Fund Type</u>	<u>Debt Service Fund Type</u>	<u>Totals (Memorandum Only)</u>
Taxes	\$ 1,729,158	\$	\$ 1,729,158
Excess Fees	107,857		107,857
Licenses and Permits	109,009		109,009
Intergovernmental Revenues	4,795,212		4,795,212
Charges for Services	165,492		165,492
Miscellaneous Revenues	1,090,594		1,090,594
Interest Earned	88,355	29,602	117,957
Total Operating Revenue	<u>\$ 8,085,677</u>	<u>\$ 29,602</u>	<u>\$ 8,115,279</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

GRANT COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,916,862	\$ 1,885,481	\$ 31,381
Protection to Persons and Property	2,388,118	2,219,227	168,891
General Health and Sanitation	852,287	810,709	41,578
Social Services	59,872	53,293	6,579
Recreation and Culture	264,014	262,285	1,729
Roads	1,221,536	1,068,814	152,722
Other Transportation Facilities and Services	6,000	6,000	
Debt Service	203,711	177,876	25,835
Capital Projects	38,703	37,960	743
Administration	1,166,789	915,638	251,151
Total Operating Budget - General Fund Type	\$ 8,117,892	\$ 7,437,283	\$ 680,609
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	583,365	583,365	
Capital Leases - Principal	122,000	122,000	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 8,823,257</u>	<u>\$ 8,142,648</u>	<u>\$ 680,609</u>

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SCHEDULE OF PUBLIC PROPERTIES CORPORATION EXPENDITURES

GRANT COUNTY
SCHEDULE OF PUBLIC PROPERTIES CORPORATION EXPENDITURES

For The Fiscal Year Ended June 30, 2003

DEBT SERVICE FUND TYPE

<u>Expenditure Items</u>	<u>Public Properties Corporation Fund</u>
Trustee Fee	\$ 1,500
Treasurer's Bond	291
Filing Fee	<u>4</u>
Total	<u><u>\$ 1,795</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Darrell Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Grant County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated July 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Grant County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 12, 2004

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

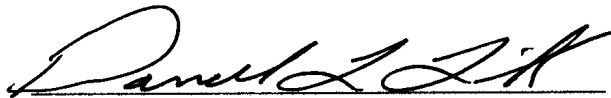
GRANT COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

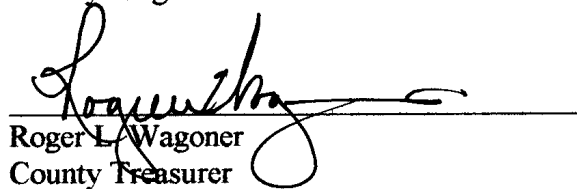
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
GRANT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Grant County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Darrell Link
County Judge/Executive



Roger L. Wagoner
County Treasurer

